

TEACHERS' RETIREMENT BOARD

REGULAR MEETING

SUBJECT: Approval of Minutes of June 3 and 4, 1998 Meeting

ITEM NUMBER: 2

ATTACHMENT(S): 1

ACTION: X

DATE OF MEETING: July 9, 1998

INFORMATION: _____

PRESENTER(S): Chairperson

Please see the attached minutes of the June 3 and 4, 1998 meeting of the Teachers' Retirement Board.

PROPOSED
MINUTES OF
TEACHERS' RETIREMENT BOARD
OPEN SESSION
WEDNESDAY, JUNE 3, 1998
THURSDAY, JUNE 4, 1998
STATE TEACHERS' RETIREMENT SYSTEM
ROBYN D. MILLER BOARD ROOM
7667 FOLSOM BOULEVARD
SACRAMENTO, CALIFORNIA

BOARD MEMBERS PRESENT

Emma Zink, Chairperson
Yvonne Gallegos Bodle
George Fenimore
Gary Lynes
Marty Mathiesen
Michael Mayer
Lillian Raffel
Fred Buenrostro, representing State Controller, Kathleen Connell
Richard Whitmore, representing Superintendent of Public Instruction, Delaine Eastin
Wen Chung Hong, representing State Treasurer, Matt Fong
Robin Dezember, representing Director of Finance, Craig Brown

STAFF PRESENT

James D. Mosman, Chief Executive Officer
Christopher Waddell, Chief Counsel
Elleen Okada, DCEO, Investments
Michael Carter, DCEO, Client Benefits & Services
Laurence Martin, DCEO, Information and Financial Services
Peggy Plett, DCEO, Administration
Jennifer DuCray-Morrill, DCEO, Governmental Affairs & Program Development
Ken Costa, Director, START Project
Mary Miles, Administrative Assistant

OTHERS PRESENT ON JUNE 3, 1998

Ian Lanoff, Fiduciary Counsel
Michael Carter, Watson Wyatt
Beverly Carlson, California Teachers Association
John Baley, Faculty Association of California Community Colleges
Ellen Logue, California Teachers Association-Retired

OTHERS PRESENT ON JUNE 4, 1998

Laura Metzger, Science Applications International Corporation
Allan Brinkman, SPL Worldgroup
Deborah Johansen, State Street Bank
Scott Wellington, State Street Bank
Koelyn Hooper, State Treasurer's Office
Vic Newquist, State Treasurer's Office
Claire Yee, Teale Data Center
Rik Larson, Teale Data Center
John Harrigan, State Controllers' Office
David Dawson, State Controllers' Office

Beverly Carlson, California Teachers Association
Ellen Logue, California Teachers Association-Retired

A quorum being present, Chairperson Zink called the June 3, 1998 meeting to order at 9:10 a.m.

II. **APPROVAL OF MINUTES OF MAY 7, 1998 MEETING**

MOTION duly made by Mr. Fenimore, seconded by Ms. Raffel, and carried to approve the Board Meeting Minutes of May 7, 1998.

III. **ANNOUNCEMENTS**

There were no announcements.

IV. **FUNDING AND BENEFIT WORKSHOP**

Ms. DuCray-Morrill presented a brief history of the System's benefits and benefit funding from 1913 to the present, and a discussion ensued regarding funding sources and benefit increases.

MOTION duly made by Mr. Lynes, seconded by Ms. Raffel, and carried to approve the concept of developing a legislative proposal to redirect excess earnings, Elder Full Funding, and ad hoc increases to use as a funding source for benefit enhancements. Also to support General Fund funded benefit increases and to vest the current funding stream for the 75 percent purchasing power. Mr. Dezember abstained.

Chairperson Zink recessed the meeting at 10:20 a.m. and stated that the meeting will reconvene on Thursday, June 4, 1998.

The meeting resumed on Thursday, June 4, 1998, at 10 a.m. Mr. Fenimore was not present for the Thursday, June 4 meeting.

V. **COMMITTEE REPORTS**

INVESTMENT COMMITTEE: Mr. Lynes, Chairperson of the Investment Committee, reported that the Committee, in open session, reviewed and approved the policies and procedures for Alternative Investments and Real Estate. The Committee also approved under the Off Balance Sheet Program, internal Securities Lending and heard a presentation on legislation. The Committee received information on Real Estate and asked for further review of the definition of what discretion "in the box" could constitute for the Real Estate advisors. The Committee was provided an update on the Equity Selection Process, an update on School Bond Enhancement, Real Estate and Alternative Investment Activity Status reports, and a report of the Chief Investment Officer.

In closed session, the Committee terminated an international equity management contract with JP Morgan and approved, subject to further due diligence by staff, a \$250 million investment with WCAS VIII, and an investment of up to \$40 million in Alta Communications VII. The Committee also received the Alternative Investment Pipeline report and an activity status report on Real Estate.

BY CONSENSUS, the report of the Investment Committee was accepted.

BUDGETS AND AUDITS COMMITTEE: Chairperson Zink reported that the Committee approved the first draft of the 1999/2000 Proposed Budget, received a status report on the Review of Controls on Investment Activities, and the Internal Audit Final Report on Investment Operations – Cash Receipts and Disbursements. The Committee also received informational reports on School District Audits, Compliance Case Summaries, Audit Status Report, and Budget Status Reports of 1997/98 and 1998/99.

BY CONSENSUS, the report of the Budgets and Audits Committee was accepted.

BENEFITS AND SERVICES COMMITTEE: Ms. Bodle reported that the Committee voted to reject the Administrative Law Judge's decision on the case of Emogene Doyel and requested the transcripts be ordered so that the Committee could decide the case itself. The Committee also accepted staff's recommendations on Marilyn Wroten and Carol St. John. The Committee denied Ms. Guiterrez' appeal not to change her monthly benefits and approved the collection of the overpayment. Staff was directed to have the Board Chairperson sign the Committee's decision on this case. The Committee also approved the Adoption of Rates and Lump-sum Death Payment Adjustments as presented by staff.

BY CONSENSUS, the report of the Benefits and Services Committee was accepted.

VI. CHIEF EXECUTIVE OFFICER REPORT

Mr. Mosman reported that the Cortex presentation will be scheduled for Wednesday, July 8 and should last approximately 2 to 3 hours. Also, staff was directed for the August Board and Committee calendar, to schedule a one-day meeting on August 5, if necessary.

VII. START PROJECT UPDATE

Mr. Costa reported that staff had received the first release from SPL. Mr. Costa also reported that staff continues to negotiate SPL's contract.

Mr. Buenrostro requested that Mr. Costa report on the effect that redirecting staff to work on the START Project has on the service level standards.

VIII. UPDATE ON LEGISLATION

STATE: Ms. DuCray-Morrill reported on the following legislation for the Board's consideration.

AB 2616 (Prenter) – Ms. DuCray-Morrill reported that this bill had died.

SB 1528 (Schiff) – This bill would authorize STRS to offer health, vision, and dental insurance. Ms. DuCray-Morrill reported that this bill had been changed to a study bill, and that the bill had been amended to include both active and retired members. Staff recommended that the Board co-sponsor the bill. Ms. DuCray-Morrill also stated that staff would conduct a survey of the membership to determine health care insurance needs.

MOTION duly made by Mr. Buenrostro, seconded by Mr. Whitmore, and carried to co-sponsor Senate Bill 1528. Mr. Dezember abstained.

SB 2224 (Lee/Albert) – This bill provides the return to an unmodified allowance for certain members who retired prior to 1991. Staff recommended that the Board adopt a support if amended position.

MOTION duly made by Mr. Mathiesen, seconded by Ms. Bodle, and carried to adopt a support if amended position on SB 2224. Messrs. Hong and Dezember abstained.

Ms. DuCray-Morrill reported on the status of the System's proposed 1998/99 General Fund contributions and stated that the Assembly adopted the proposed Budget without change; however, the Senate added a provision mandating the System to conduct an actuarial valuation as of June 30, 1998. Discussion ensued regarding the Senate's

actuarial valuation mandate. Staff was directed to meet with legislative staff to relay Board's concerns on the mandatory actuarial valuation and to bring this item back in July.

Ms. Raffel left at 10:45 a.m.

FEDERAL LEGISLATION: Ms. DuCray-Morrill stated that Mr. Stanton attended the Mandatory Social Security hearing on May 21 and reported that Congress is still considering implementing the Mandatory Social Security provisions and that a grass roots effort against the implementation will be planned for the next 6 to 9 months.

IX. TRAVEL REPORT

Chairperson Zink requested that her name be added to the IFE Market Makers Conference.

MOTION duly made by Ms. Bodle, seconded by Mr. Lynes, and carried to approve the request for travel as amended.

MOTION duly made by Mr. Lynes, seconded by Ms. Bodle, and carried to accept the travel summaries as presented.

X. CASH BALANCE PLAN UPDATE

Ms. DuCray-Morrill reported that contributions in the Cash Balance Plan had exceeded \$1 million and that a Request For Proposal is currently being developed for a client-server database system for the Plan.

XI. UPDATE ON THE STRS YEAR 2000 PROJECT

Mr. Martin and Ms. Piombo presented this item. Updates were also provided by State Street Bank (Ms. Johansen and Mr. Wellington), the State Controllers' Office (Mr. Harrigan and Mr. Dawson), the State Treasurer's Office (Mr. Newquist and Ms. Hooper), and the Teale Data Center (Ms. Yee and Mr. Larson).

Mr. Buenrostro requested that staff provide periodic updates to the Board on the outstanding portions of the Year 2000 Project.

XII. OPPORTUNITY FOR STATEMENTS FROM THE PUBLIC

There were no statements.

XIII. ADJOURNMENT

Chairperson Zink went directly into Closed Session to discuss investment issues at 12 noon.

At 12:01 p.m., Chairperson Zink returned to open session. There being no further business to conduct, Chairperson Zink adjourned the meeting at 12:02 p.m.

James D. Mosman, Chief Executive Officer
and Secretary to the Teachers' Retirement Board

Emma Zink, Chairperson